

Message Text

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ACTION L-03

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

NRC-05 TRSE-00 ERDA-05 COME-00 AID-05 OPIC-03 MC-02

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R 130928Z NOV 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3939

LIMITED OFFICIAL USE SINGAPORE 4895

E.O. 11652: N/A

TAGS: MASS, ESTC, SN

SUBJ: MUNITIONS CONTROL AND AGENTS FEES

REF: A. STATE 255260; B. STATE 258169

1. THE MAJORITY OF US SALES OF MUNITIONS TO SINGAPORE ARE ON A GOVERNMENT TO GOVERNMENT BASIS (FMS) AND THESE SALES ARE HANDLED DIRECTLY BY THE EMBASSY'S DAO. ALTHOUGH WE ARE NOT AWARE OF ANY GOS REGULATIONS PREVENTING THE USE OF AGENTS IN GOVERNMENT TO GOVERNMENT SALES, IT HAS BEEN THE EMBASSY'S AND MINDEF'S POLICY NOT TO PERMIT AGENTS TO GET INVOLVED IN THESE TRANSACTIONS. THEREFORE, THE PROBLEM OF AGENTS FEES DOES NOT ARISE UNDER FMS.

2. IN THE CASE OF DIRECT COMMERCIAL SALES TO THE GOS, AGENTS FEES MAY BE INVOLVED. MINDEF IS AWARE OF THE POTENTIAL FOR EXCESSIVE AGENTS FEES AND HAS GONE TO CONSIDERABLE LENGTHS TO DISCOURAGE THE IMPOSITION OF EXCESSIVE FEES. ITS EFFORTS TO PRECLUDE SUCH OCCURENCES REPORTEDLY INCLUDE A SURVEY OF THE FEES PAID PREVIOUSLY AND AN ATTEMPT TO ESTABLISH A SOPHISTICATED PROCUREMENT ORGANIZATION WHICH UTILIZES SUFFICIENT CONTROLS. THE GOS FEELS COMPETENT TO HANDLE THIS MATTER.

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3. WITH RESPECT TO PROPOSED CHANGES IN ITAR REGULATIONS, THE GOS WOULD NOT OBJECT TO ANY CHANGES WHICH REQUIRE THE US MUNITIONS SUPPLIER TO DISCLOSE AGENTS FEES TO THE FOREIGN PURCHASER. HOWEVER, SUCH A REQUIREMENT WOULD NOT BE POPULAR WITH LOCAL AGENTS, SINCE AGENTS FEES ON COMMERCIAL TRANSACTIONS ARE TRADITIONALLY NOT DISCLOSED.

4. COMMENT: IMPOSITION OF REQUIREMENT FOR UNILATERAL DISCLOSURE OF AGENTS FEES BY US FIRMS COULD PUT AMERICAN MUNITIONS SUPPLIERS AT A COMPETITIVE DISADVANTAGE LOCALLY. AT PRESENT, AGENTS SERVE A USEFUL PURPOSE IN SINGAPORE AND THEIR WILLINGNESS TO REPRESENT US FIRMS COULD BE ADVERSELY AFFECTED BY SUCH DISCLOSURE REQUIREMENTS. WE BELIEVE BURDEN OF ASCERTAINING AGENTS FEES SHOULD CONTINUE TO FALL ON GOS (WHICH, AS NOTED, IS WILLING TO ASSUME IT); USG SHOULD MAKE DISCLOSURE MANDATORY ONLY IF DISCLOSURE OF AGENTS FEES IS REQUIRED OF ALL SELLERS. ONCE THIS STATE IS REACHED, BY REQUIRING SUCH ACTION ON THE PART OF US FIRMS WE WOULD GIVE GOS CLEAR INDICATION OF USG WILLINGNESS TO COOPERATE. HOLDRIDGE

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